

LATIN AMERICAN REPORT



VOLUME III

NO. 6

MEXICO: The Racing Rodriguez Brothers in pictures.

HEMISPHERE: The Communist Economic Threat to Latin America.

TRADE: Kenaf, A New Hope for Trade.

UNITED STATES: The Senate Majority Leader Speaks.

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BERLIN AND LATIN AMERICA

During recent months the issue of Berlin has garnered most of the world's headlines, with particular emphasis being placed on what the United States or Russia is planning to do.

From a purely international political position, this issue is of unquestionable importance to the world and to the people of the United States.

However, as a writer who devotes his work and travels to the nations of the Western hemisphere, I cannot help but be alarmed over the inescapable truth that while so much attention is being paid to Berlin, very little note is being given to what does or does not happen in other Americas.

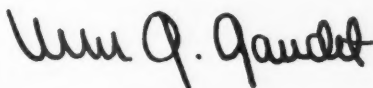
Even more alarming is the feeling that never has the position of the United States, both politically and economically, been as weak as it is today in South and Central America. Business executives from the United States who travel in Latin America are especially concerned with two points which are becoming ever more acute with each passing day:

1. The increasingly difficult exchange problems of the various Latin American Republics.

2. Prices that the average U. S. firm has to quote and how far out of line they are with those of competitors from Europe and the Far East.

North Americans who work and reside in Latin America place the blame squarely on the United States government at the foreign policy level. They feel that if the United States is to survive politically and trade-wise it has got to find some way of helping U. S. companies to meet this increasing foreign competition.

This is not a small problem, but it is one which will simply have to be met and solved somehow. Present indifference and inactivity will never do the job.



PUBLISHER

THIS MONTH'S COVER: An artist's interpretation of the Red threat to Latin America, by Ray Sessions.

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UP TO D

A Monthly Summation of

ARGENTINA . . .

Strange things are happening in this, one of the most advanced of Latin American countries. That ever-present force in Latin American politics, the army, is raising its head. President Frondizi has made a series of moves in recent weeks designed to win friends and influence generals. The first was the banning of Communist party activities, followed rapidly by revamping of the civil service work system to a more disciplined level and concluded by a virtual mass changeover of the cabinet and presidential advisory personnel. When the dust cleared, the latter groups magically included several high ranking military officers. These persons, it is felt, were chiefly responsible for President Frondizi's recently announced severance from Peronist backers.

COLOMBIA . . .

The second Latin American Cardinal to die in recent months, Crisanto Cardinal Luque, died in Bogota last month at the age of 70. The Cardinal, Colombia's first, received his red hat in 1953, and was Archbishop of Bogota.

Cardinal Luque was one of the few who stood up to Dictator Rojas Pinilla, when that recently deposed ruler was in control of Colombia. In fact, it was the Cardinal's last condemnation of Rojas, branding him a "murderer" and guilt of "sacrilegious profanation" which hastened the dictator's downfall on the following day. The Cardinal's opposition to Rojas is traceable back to 1956, when he branded Rojas' "Third Force" as dangerous to the nation.

CHILE . . .

The International Monetary Fund has approved a move by the Export-Import Bank and several private New York banks to loan this republic some \$100,000,000. The loan is to be used to reduce Chilean indebtedness to other nations and aid trade development.

It is felt that this move, combined with recent Chilean alleviation of unrealistic trade restrictions and subsidies, has greatly improved the possibility of Chile being able to stop its spiraling inflation, at the same time encouraging foreign investment in the country.

MONEY . . .

You may not believe this, but four of the oldest stable currencies in the world are all from Latin America. The oldest in the world is the U. S. dollar, which has gone 25 and a half years without re-valuation. Right behind it, however, come the Guatemalan quetzal, Honduran lempira, and Haitian gourde. If that isn't enough, the Panamanian balboa is in fifth place. None of these Latin currencies is outranked in age by more than days by the U. S. dollar.

ECUADOR . . .

Come 1961 and Latin America is going to have a visitation. Billy Graham, the globe circling evangelist is planning to make Latin America his next target. Graham will visit 15 national capitals in Latin America, and hopes to "reach" at least two million people.

URUGUAY . . .

Luis Herrera (see LAR, Jan. '59), leader of Uruguay's Blanco party, died of a heart attack last month at the age of 85. Herrera, who had led his party to the most stunning political upset of recent Latin American history, was grieved by tens of thousands of Uruguayans who mourned his spirit more than they did his creed.

In recent months, Herrera had been greatly troubled by opposition factions demanding that Uruguay launch an austerity program to help pay for welfare statism. It is felt that his absence from the scene will lead to trouble within the Blanco party, and possibly economic distress, due to the warring factions within the ruling party.

ATE...

on of Latin American News, Features and Events

MEXICO . . .

Another obituary: Lanz Duret, president of El Universal, former President of the Inter-American Press Association, recipient of the Maria Moors Cabot Gold Medal for Pan-American relations, and long time leading newspaper publisher of Mexico, died at 50 of a heart attack recently. He will be long remembered by fellow newsmen.

Also from Mexico comes word that the Lopez Mateos government has commenced work on a gargantuan task. The National Institute of Housing, directed by Dr. Luis Quintanilla, is going to pipe water into some 98,590 localities in Mexico that do not have a water faucet to their names. This includes villages, cross-road settlements, parts of large cities and even lonely farmhouses. It is estimated that 80% of Mexico's rural homes have no water, and thus no sanitation. The NIH is also continuing with the task of building thousands of new low cost homes for government workers and white collar personnel. Additionally, President Lopez Mateos has conceived of a plan to re-build the homes of rural agricultural workers. Says Dr. Quintanilla, "This may well take a generation to complete".

VENEZUELA . . .

Venezuelans, exposed to North American schoolchildren in the persons of oil company family offspring, have long been agitating for better educational facilities for their own young ones. Now, it seems, the Venezuelan government is doing something about the situation. Some 81 grade schools, 21 high schools and seven teachers' colleges are all hastening toward completion for use during the next school year. In what must surely be the largest single program of its type ever carried out in a Latin American nation the size of Venezuela, much credit seems due the Betancourt regime, which has virtually assured some 81,400 students a better life—starting next fall.

CUBA . . .

A dangerous situation is now developing within Cuban revolutionary ranks. Much of the 26 Julio army was absorbed into the Cuban army at war's end, and the new senior officers, for the most part, are men who were early followers of Fidel. However, the vast bulk of the army is made up of latecomers to the rebel cause, men who are professional revolutionaries or of radical political persuasion. These men are not dedicated to any cause but their own, and are inclined to follow leaders of their own ilk. Such leaders in Cuba are Raul Castro and Che Guevara. Neither of these two men, both commanders of the rebel army, feels much responsibility towards Cuba. Guevara is a professional revolutionary and radical, and Raul is a young, volatile and headstrong soldier with a very special talent for leading men. These two were more responsible for tactical military victories by rebels than Fidel, and many of those who joined the 26 Julio ranks late in the game did so because either Raul or Che was leading a unit in their area.

The situation now is that Fidel has started to divorce himself from Cuba's army. He is far more concerned with his country's economy and social welfare, to the point that the Cuban forays against Panama, which were embarked under his very nose, came as a surprise to him. These moves were at least sanctioned by Raul and Che Guevara. It is expected, furthermore, that they in turn had the sympathy of many of Cuba's junior officers, who rallied to their banners during the revolution. The point of all this is that Fidel suddenly found himself in a position where the army was getting out of hand, and he had to call his brother to task for it in a surprise meeting at Houston, Texas.

If any move to depose Fidel Castro comes in Cuba in the near future, the first sign will probably be in the neighborhood of the Cuban army. Fidel can be expected to keep a closer eye on his military forces, and especially on Guevara and Raul. A resolving of

power will come, but which way it will turn is anybody's guess. One thing is sure, if the junior officers force out the top men (excluding their heroes Raul and Guevara), Fidel will have lost.

YUGOSLAVIA . . .

No, you did not imagine it. Tito's Adriatic empire has become important to Latin America, suddenly and conclusively. A recently signed contract between Argentina and Tito calls for 1961 delivery of six 10,000 ton ships to the Argentine fleet from Yugoslav shipyards. Though Tito is not a Muscovite, he is as red as anyone in the Kremlin, so no matter which way this cake is cut, it comes out tasting strangely like increased communist trade with Latin America.

GUATEMALA . . .

This Central American nation, long time Latin leader in air travel, has just announced plans to build a jet age international airport adjoining the present Aurora Airport at Guatemala City. The new terminal buildings are to be designed by native architects through a national competition, and must include Mayan themes.

BRAZIL . . .

President Kubitschek has been pushing hard for over a year now to bring about greater Latin American solidarity. His "Operation Pan-America" has been slowly nearing maturity, gathering to its banner the leaders of many Latin nations. Since not much news value has been credited to this plan, most North Americans are not aware of the fact that many of the recent "Good Neighbor" moves by the United States did not originate in Washington, but in Brasilia. The recently established Inter-American Development Bank, capitalized at \$1,000,000,000, was established under Point 3 of the Brazilian plan. The just finished talks in Buenos Aires on the economic future of Latin America were points 1 and 5. The next step to watch for: a Latin American common market, point 6 of the Kubitschek plan.

★ THE COMMUNIST FORMULA ★



★ CONQUEST BY TRADE ★

The communists have opened a new offensive on democracy. The battlefront is Latin America and the weapons are trade and aid. The wily Kremlin rulers learned from their failure in Guatemala in 1954 that overt political rule of an American Republic would not go unchallenged by the Western democracies, so they have turned their strategy of world conquest into new channels. Communists are now trying to breach the barrier created around the western hemisphere by the Monroe Doctrine and succeeding resolutions with an overtly peaceful approach. Sadly enough, in some ways they are succeeding in their attack; somehow the communists are gaining a foothold in nations of Latin America, though today only three Latin Republics maintain diplomatic relations with the Soviet Union — Argentina, Mexico and Uruguay.

How are they doing this? By attacking on a new front, domination through economics. This is a new field for the Soviets, and many Western minds refuse to accept its seriousness. Tradition allows communists only the use of overt force, such as the Hungarian repression, to achieve their ends. But we are faced with a new communism now, one which launches satellites, builds dams, revels in its booming industrial development and has become progressively more and more sophisticated, resorting to cold war techniques which were never dreamed of in Stalin's era.

THE RED PROMISE. The Soviet Union seems to offer a pattern by which Latin America can short cut the long road of economic development impliedly mapped out for it by the United States. The United States prefers a program of private capital development, which may take years to develop, whereas the Russians point to their extraordinarily rapid government-run successes. Since superficially there seems little to choose from between a United States factory and a Russian one, the Soviet offer to speed Latin development seems to demand consideration. Not only has the Soviet

Union become suddenly and astonishingly the world's second industrial nation; it has achieved this position in a phoenix-like revival from the ravages of a war whose destruction has never been matched. Further, it has been accomplished through broad use of socialism, already in use in Latin America.

What matter if Soviet advance has meant the establishment of daily and purposeful use of terror against opponents of the government? What is true of the lack of freedom in Russia has long been true in some parts of Latin America as well.

The difference is that the Soviet system seems to offer something in return for terror; a better way of life and a far richer nation. No longer will the profits go to the few at the top. Instead the people will profit, through better wages, homes, roads and vastly increased prestige among the other nations of the world. At least that's what the communists promise.

The new Soviet gambit has appeal to the traditional ruling classes as well as to the groups which are more conventional communist prey. It appears to offer much trade and some technical assistance, neither of which are viewed as more dangerous to the domestic positions of these classes than the path of industrialization followed up to now. Besides, some Latins assume that they can come very close to the Soviet furnace without getting burned because of the taken for granted guardianship of the United States.

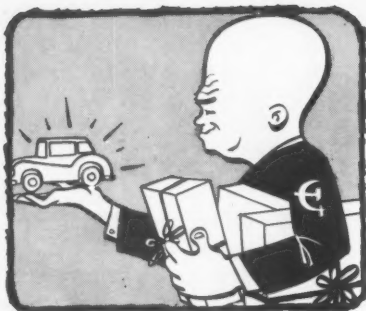
It is not uncommon for Latin intelligentsia to adopt a two-sided view of the United States. On the one hand they resent Yankee interference in their rights, and say so. But on the other, they call upon the U. S. to bail them out of their troubles as a "hemispheric obligation". There is probably not a Latin American alive today, no matter how anti-United States, who does not expect U. S. protection, though he might not ask for it, from any communist danger to himself, his position, his business or his nation.

CHANGING TRADE. Until the first world war, Latin American trade was channeled heavily to Europe, which purchased large amounts of Latin America's raw materials and paid for these imports with manufactured consumer goods. In addition, heavy European and British private capital investments in Latin America caused it to export a great deal simply to meet the payments regularly due on these investments. But the first world war struck a blow at this system, and the depression of the 1930s served to dislocate it even further.

As the Second World War began it became apparent that traditional Latin American trading and investment channels again would be dislocated. Europe could not trade in the former fashion, and imported far more heavily than it exported. On July 22, 1940, President Franklin Roosevelt announced a bill to raise the lending capacity of the Export-Import Bank with the intention of preventing economic distress and shortage of goods in Latin America. So during and after the war the United States became Latin America's principal trading partner. Further, until some time after the war, no European nation was capable of creating and satisfying an export market in Latin America.

However, Latin America received relatively little post-war governmental economic aid, and its rising demand for goods of all descriptions made purchases reach phenomenal heights in the immediate post-war period. Thus, as soon as its small balances of currency were exhausted, and this occurred by 1950, Latin America's ability to purchase diminished. Latin America "shopped" wherever possible, and each offer of goods at competitive prices met enthusiastic interest; this was particularly true if payment in national currencies was accepted, or if credit terms were generous.

Iron curtain goods are now appearing in increasing quantity in Latin America for these very reasons. Soviet salesmen are able to sell on liberal credit; Latin receptivity to Soviet of-



fers of trade and assistance is thus heightened. General statements of anti-Soviet attitudes may be reassuring, but Hungarian ham and Skoda automobiles in Havana, or Russian passenger cars in Buenos Aires, give cause for concern. Russian willingness to buy Latin American exports; for whatever reason, could easily commit the area more heavily to communist nations.

PETROLEUM. The major attack at this moment is on that dream resource of Latin America, petroleum. Virtually every Latin nation which has proven or suspected underground or offshore oil deposits is exceptionally anxious to develop them. The Soviets have found that by offering to aid in such development they are able to wedge open a door to trade in other fields. Argentina was their first try; in January of 1958 the Russians offered the Argentine government over \$4,000,000 worth of oilfield equipment. They were pleased to note that their offer was treated with the utmost receptivity, and immediately made similar offers to Uruguay.

It was unfortunate for the Soviets that they did not realize the fact that President Arturo Frondizi was playing a rather elementary political game with them. He wanted more assistance and attention from the United States, not trade with the Soviet Union. But he realized that the U. S. would have to be made aware of some obvious danger to the hemisphere before it would act. He therefore created the danger by playing up to the Russians. It worked; U. S. oil companies have recently agreed to spend nearly \$300,000,000 in Argentine oil development. The U. S. government and private development banks have extended another \$329,000,000 in credits to Argentina.

These moves cut the Soviets off as far as oil development was concerned, but the door was now open. The Russians react quickly; in this case, realizing that Argentina needs oil to satisfy internal demand, they immediately offered to sell Argentina crude petroleum at prices far below U. S. levels. Even if the United States had been

able to meet the Soviet price, it could not have met their terms. The Russians agreed to a barter deal; they accepted Argentine wool in payment for the 1,000,000 tons of petroleum delivered to Buenos Aires and other ports.

This typical full scale offensive, directed at one segment of one nation's economy, serves well to illustrate how the Russians operate. They do not give up easily; instead of being offended at President Frondizi's admitted use of them to get U. S. attention, they attacked from the other direction. And they offered the Argentine what it needed in return for something the nation needed to sell in order to maintain a healthy economy. This last point is most important. The fact is that whether the Soviets may or may not have needed the Argentinian wool they took it anyway, merely to establish trade relations with Argentina. They are now repeating this type of operation all over Latin America, with increasing success.

Brazil, for example, long a communist target, has fallen prey to the same technique. The Russians sold them crude petroleum too, in trade for cocoa. Next year they are expected to sell 3,000,000 barrels more for coffee, a commodity which Brazil has in all too plentiful supply. Uruguay, recipient of the second communist offer of oil development, presents a similar picture. Uruguay too, is buying Soviet oil, in return for Uruguayan wool and frozen beef and lamb, which are the tiny nation's greatest exportable assets, and virtually the support of her entire economy.

Petroleum is not the only Soviet target; the communists are willing to trade almost anything for whatever the Latins need most to sell. Again in Brazil, they have offered airplanes in return for coffee, and pounds sterling for the same product. Chile, a nation which relies on mineral resources for its wealth, notably copper, was seriously hurt by recent U. S. import restrictions raised against the metal in order to protect its own copper industry. The communists, needless to say, have started buying Chilean copper and

copper products, such as wire, in spite of the fact that Russia has her own vast copper mines.

THE RED AIM. As of 1959, the communist bloc nations are trading with a dozen Latin Republics, though admittedly in token amounts in some of them. The total dollar amount is only \$220,000,000 per year, or one percent of Latin America's foreign trade. However, all signs point to a continued 40 percent annual growth pattern for the future, and the possibility that Russia can maneuver itself into a dominating economic position with these nations.

It must be assumed that in the Soviet Union foreign trade is controlled for political advantage as much as domestic trade, and there is good reason to fear that political intrigue is not far afield from communist economic aid.

The Russians and their political allies are not interested in benefiting the economies of Latin America unless such benefits woo these nations away from the side of the Western democracies. In the Marxist philosophy there is no room for relative values; it is not enough that any nation be friendlier to Russia than to the United States. The communists must be sure of their allies, and the only way they can be sure is to hold a military or economic ax over a nation's head. It is becoming obvious that the latter goal is the aim of the communist economic drive in Latin America.

Uruguay is their first target. Within the relatively short span of five years, the communists have become very powerful in this nation almost solely due to their economic warfare. The Soviet bloc controls nearly 13% of Uruguay's total export commerce, and has far surpassed the United States as Uruguay's chief wool and meat buyer. As noted above, these products are Uruguay's staff of commerce; the nation could not afford to survive without them. If the Russians should now decide to stop buying these products from Uruguay, it would be tantamount to the nation's economic collapse. This is what is meant by an economic ax. Whether Uruguayans want to or not, they must depend on the communists for economic support. Though matters have not gone beyond this point, at least not openly, it is felt that even now Soviet pressure is being exerted in other directions in Uruguay.

Montevideo, the nation's capital, is the site of the most active Soviet trade delegation in Latin America. The Russian legation maintains a huge staff, including a complete propaganda publishing plant, known as Ediciones





Pueblos Unidos. This organization is commonly regarded as the chief distribution agency for communist propaganda in South America. And Uruguay is one of the seven countries in all of Latin America in which the communist party is a legal political organization.

The entire Latin-communist situation is very serious, of that there can be no doubt. Many North Americans regard it as somewhat calamitous, others ignore it, and the remainder don't understand what the whole thing is about. The entire economic problem opened by the Russian aid and trade program could not be more propitious, however, from the viewpoint of Latin Americans. It may well prove to be a catalyst to bring more realistic consideration by the United States of Latin America's economic needs.

THE U.S. VIEW. Essentially, the view of the administration in Washington is that Latin America must rise economically through its own efforts. This implies that the United States will not engage in unlimited lending nor in outright grants of very large size. There have been some relatively large grants and loans in the past. The Export-Import Bank announced that it had loaned a total of \$284,000,000 to Latin American nations in fiscal 1955, a sum over five times greater than the preceding similar period. "Point 4" technical assistance projects continue to operate with United States government funds (more than matched by Latin American expenditures) and personnel (nearly fifteen Latin Americans for each North American.)

However, the general gap between United States and Latin American thinking on the problems of capital formation and use, and raw materials prices, seems unlikely to narrow in the predictable future.

The recently established Inter-American Development Bank, with initial capital of \$1,000,000,000, forty five percent of which will come from the United States, was only established after prolonged hammering by a multitude of extremely influential men, including Milton Eisen-

hower, Representative Hale Boggs, Senator George Smathers, and the President of the United States himself. Even now there are many voices raised against this just established organization, indicative of U.S. reluctance to enter the Latin American economic area on Latin terms. They would like the United States to continue to cram North American fiscal policies down Latin throats, despite a multitude of obvious signs that such methods simply do not work.

It is clear that Latin America tends to reject both the United States' strong support of private enterprise as the only way to develop its potentialities, and the view that price fixing by normal operations of the international market, in the long run, will be best for all concerned. Latin Americans are especially concerned with violent short-term price shifts. No amount of statistical proof, that in the long run all will be well, will improve the position of the coffee producer forced to the wall by disastrous general overproduction. Latin nations increasingly are convinced that price uncertainties can be prevented only by sorely needed international agreement and action, with or without the co-operation of the United States. They point with good reason to the United States' abrupt unilateral decisions to restrict imports of oil, zinc, lead and copper as proof of this need.

SELF-AID. Another underlying attitude of the administration toward Latin America is that Latins rely too much on the United States to retrieve them somehow from their own errors of commission or omission. President Eisenhower has re-stated more strongly than ever that consistent, constructive effort must be made by Latin Americans themselves to achieve the development they desire.

There have been some indications in recent months of increasing sympathy on the part of the United States in its diplomatic relations with Latin America. This is in part the direct result of action taken by President Eisenhower. His brother, Dr. Milton Eisenhower, indicated his conviction, by his latest report, that relations within the hemisphere can and should be improved. The President, acting on this report, has commenced taking greater interest in the area, and the informal meeting with Mexican President Adolfo Lopez Mateos in February, followed by the visit of El Salvador's President Lemus, seems one token of this.

However, there is considerable ambivalence in attitudes toward Latin America in the United States. Several times the Senate has indicated its will-

ingness, by voting appropriations larger than those requested by the administration, to see an expansion of United States aid to and interest in Latin America. Yet the Department of State has often relegated Latin American affairs to "the bottom of the pile". It becomes clear that the United States' policy toward Latin America is, on many grounds, a complex matter. Neither in the executive nor in the legislative branches is there singleness of attitude or purpose. This appears, superficially, to derive from the fact that few can see a clear and present communist security danger in Latin America, as they can in other areas.

THE THREAT. This is not unusual. Despite what many consider to have been adequate warning, it was not until some time after the Second World War that the United States realized at all the significance of Soviet double dealing with the non-Soviet world. It is clear, however, that Nikita Khrushchev continues to subscribe to the Leninist statement:

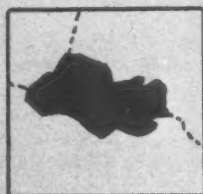
"Either the Soviet Government triumphs in every country in the world, or the most reactionary imperialism triumphs. In the end, one or the other will triumph—a funeral dirge will be sung over the Soviet Republic or over world capitalism."

Soviet policy, as exemplified by Soviet offers to Latin America, appears to have undertaken to continue this struggle by other than purely military means. The added dimension is that of the satisfaction of social and economic problems in underdeveloped nations. In such a conflict there are no fixed lines and maneuver goes on wherever thought can travel.

It was this thought which led Brazil's President Kubitschek to point out to the United States Senate that effective anti-communist measures commence with elimination of the social and economic causes which breed communism like a swamp breeds mosquitoes.

Latin American problems are now being brought into contact with competing influences. For cultural, historical, and geographic reasons, the west possesses great advantages. Soviet influence in these fields is very small, and will remain so. The Soviet bid for broader and larger trade and economic influence in Latin America must expand tremendously before it can begin to match that of the United States and Western Europe. But on the other hand, it would be fatal to assume that any nation, no matter how physically close it is to the United States, is automatically safe from the many devious ways of communist conspiracy. ●

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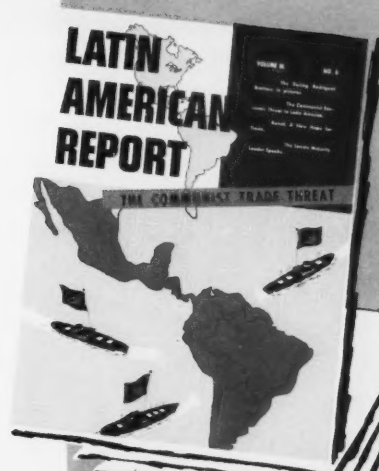
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Mexico's *Racing* Teenagers

The two fastest Latin Americans to come along since the heyday of Juan Manuel Fangio, the flying Argentinian, are two teen-age Mexican brothers named Rodriguez. Pedro, the older of the duo, started pushing motorcycles around twisting Mexican dirt tracks at the tender age of ten. Lest you think this amazing, the younger Rodriguez, Ricardo, age seven, was right behind big brother every foot of the way in almost every race.

The boys graduated to sports cars in 1955, raced a few times, then "retired" to go back to school. However, the racing fever does not die; it just hibernates. In 1957 Pedro returned to the sport, followed once again by little brother Ricardo, now fifteen. Before the year was over, Pedro had done well enough, but little brother was the talk of the sports car fraternity. He was whipping the pants off of far more experienced, and supposedly more skillful, drivers.

Since that time Ricardo has been leading Pedro around as far as fame goes, though the old brother usually gets the bigger cars at races. These pictures were taken at Sebring, an annual 12 hour sports car endurance race held in the United States. In this particular fray Ricardo was assigned an Osca and Pedro a much larger Ferrari. Sadly, neither car managed to finish the race, due to mechanical breakdowns, a plague at Sebring.

International racing rules place a minimum age on drivers allowed to enter international competition. Ricardo is still under that age. But just this year the rule was changed when officials found out a certain Mexican teenager wanted to compete in international races. And later, at Sebring, as Ricardo sped by the press boxes, a sportswriter said, "there goes Fangio".

"Not quite correct", said another. "It should have been, there went Fangio".

The difference in words is not insignificant.



Ricardo, left, the younger Rodriguez just after learning his car out of the race.



Pedro at 124.65 miles per hour and still accelerating. He is passing another Ferr



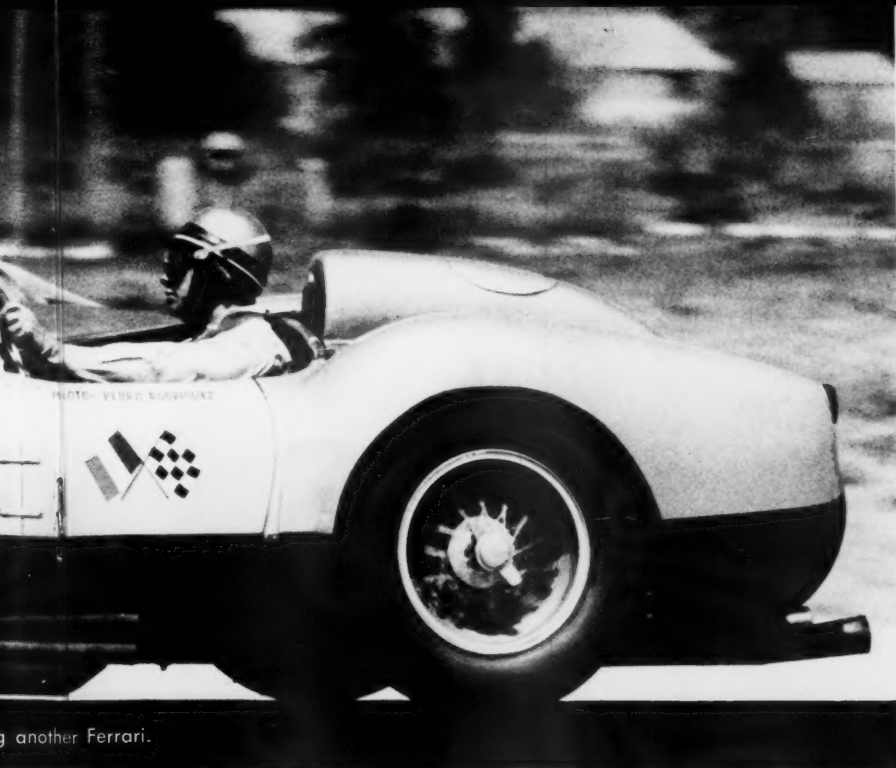
Ricardo talks strategy



bull session with other drivers



has a word with the competition



h the competition



gets a skeptical glance from his car's manager



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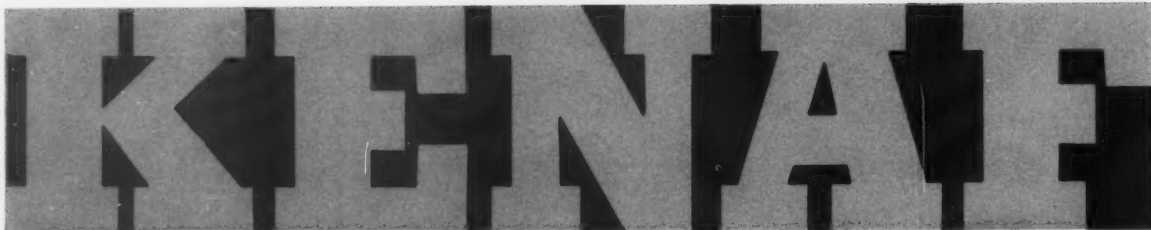
The first issue, May 18th, carried the advertising of 31 new accounts. Many more have booked space for future 1959 issues, to enjoy its unique advertising advantages:

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New Hope Springs From An Old Crop

Kenaf, though little known, is by no means a new crop.

According to the Stanford Research Institute, Kenaf has been used by the native populations of Africa and Asia for several hundred years and was first mentioned in technical journals as early as 1763.

It has been grown in Pakistan and India, the strongholds of jute, as well as in Egypt, Russia, Java, Persia, Reunion, Senegal, Nigeria, and Natal before its general introduction into the American tropics prior to World War II.

At first, consumption of the fiber was restricted to the local area where it was grown and the commercial value of the plant was not recognized until the middle of the 19th Century. World War II and the Korean War together with tension between Pakistan and India, forced the price of jute to soar and stimulated new attempts to develop Kenaf commercially.

As a result of its widespread, but limited, use, Kenaf, which is derived from the Persian name for the plant, "kanaf", has been known by well over a hundred names, including Ambary hemp, Bombay hemp, bastard jute, Java jute, Bimli jute, wild stock-eroos, mesta, sunn okro and rosella.

A skinny-looking plant with a funny-sounding name is raising political eyebrows and economic hopes for agricultural diversification throughout Latin America.

Kenaf, a little-known, long-neglected fiber plant resembling the spindly hollyhock, is catching on as a Latin-grown, dollars-saving, employment-providing substitute for jute, a virtual monopoly of Pakistan and India. Jute is the stuff which makes the hundreds of millions of sacks for Latin American sugar, bags for Latin American coffee, and burlap wrappers for dozens of other south of the border products.

It is no glamour fiber, and its role is limited to "sackcloth", yet jute ranks as the world's second most valuable commercial fiber. The United States alone purchases nearly \$100,000,000 worth of jute annually, and every year the nations of Latin America use some 300,000,000 jute bags in order to export their agricultural products. Cuba imports 45,000,000 jute bags solely for sacking her sugar. Kenaf is going to change all this.

KENAF USES. The Latin grown fiber can be used as covering for bales of tobacco, cotton and wool; rope, cordage, postal twine, backing for carpets and linoleum and just plain sacks and bags. Looking ahead, Kenaf may have even a greater future as a reinforcement in certain types of plastic (non-woven, resin-impregnated) products and in paper production. J. Clarke

Cassidy, of Products Techniques, Inc., an Ohio firm that has done extensive Kenaf market research, predicts that the expanding chemical and plastics industries in the U. S. can use upwards of 60,000,000 pounds of Kenaf annually as a reinforcement and binding agent.

No wonder, then, that the strange word "Kenaf" is stirring up official imagination in the countries of Latin America. The cultivation of jute requires special conditions limited, for practical purposes, to one remote corner of Asia and a small area along the Amazon in Brazil. But the homely Kenaf is a more adaptable stalk, and after overcoming the ravages of tropical diseases, has learned to thrive in tropical and sub-tropical soil and climate, until it now looms as a keen competitor to jute not only for the home markets of Latin America, but also for the export markets of the world, especially the United States.

Substantial credit for the breakthrough must go to the experimental efforts of the United States Department of Agriculture, the Cuban Government, and the North Atlantic Kenaf Corporation, a Cuban-American firm which through eight years of trial and travail never gave up on its search for a seed and harvesting machine which would make the plant commercially useful.

PEAK INTEREST. Today, as a result of these combined efforts, activity on Kenaf is bursting out all over Latin

America.

1. The Haitian Government recently announced a long-term agreement with a private firm for the growing of Kenaf and the erection of a bag mill.

2. Argentina is seeking to develop the large scale cultivation and industrial exploitation of Kenaf. Textile manufacturers, meeting with government leaders, have expressed a willingness to cooperate in the program and will be granted financial help.

3. In Cuba, Dr. Fidel Castro has singled out Kenaf as one of the new Revolutionary Government's steps toward agricultural and industrial diversification. Cuba today is the world's largest commercial producer of Kenaf seed.

4. The U. S. Development Loan Fund has authorized a \$400,000 loan to a Kenaf company in Guatemala to finance part of the exchange costs of machinery for a Kenaf bag manufacturing factory to be located near Guatemala City.

Kenaf, according to the Foreign Agricultural Service of the U. S. Department of Agriculture, is now being grown on an increasing scale in the Western Hemisphere. El Salvador, Mexico and Argentina are already growing Kenaf, though in relatively small quantities, with El Salvador's production destined for the world's first purely Kenaf bag manufacturing plant, in El Salvador, where over a half million coffee sacks of the highest quality have already been spun. The limited production of Mexico and Argentina is integrated with imported jute in the production of burlap goods.

U.S. POSSIBILITIES. Brazil, Bolivia, Colombia, Ecuador, Peru and Uruguay also have evinced a strong interest in Kenaf. Even in the United States, Kenaf may emerge as a major fiber industry in Florida where, within recent months, farmers producing small experimental plots of Kenaf have been pressuring to capture a share of the rich jute market.

Cuba and Florida, because of the primary interest of the respective governments in the strategic importance of a jute substitute, have become a joint world center for research and development of the embryonic Kenaf industry. In fact, when disease virtually wiped out the first Cuban and Florida experimental Kenaf growers in the early 1950s, U. S. agricultural scientists chose Belle Glade, Florida, and an experimental station at Santiago de las Vegas in Cuba, where they worked hand in hand with Cuban researchers, to develop today's hardy, disease-resistant strains of the soft fiber plant. The International Cooperation Administration's United



Close-up of "the monster", an automatic harvester.

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**INTERNATIONAL TRADE MART
NEW ORLEANS, U.S.A.**

States-Cuban agricultural program, begun in 1951, was originally confined to Kenaf fiber production and processing.

So important has Kenaf now become that the Cuban government, through its autonomous Agricultural and Industrial Development Bank (BANFAIC), operates a small pilot Kenaf spinning mill at Tapaste. The Compañía Cubana de Electricidad, a subsidiary of American and Foreign Power, stimulated Stanford Research Institute recently to undertake a survey and elect the best potential industry for Cuba. The Institute chose Kenaf.

MACHINES. And in recent months, the solution of Kenaf's principal technical problem, the commercial development of the world's first mobile field harvester-ribboner, has sparked the imminent break-through of Kenaf as a major industry. The harvester-ribboner, the result of years of tedious research and hundreds of thousands of dollars, was developed by the North Atlantic Kenaf Company.

A new machine, a self-propelled harvester-decorticator for which the Havana firm holds even greater promise, is currently being field tested before being offered to producers and growers. The potential of this decorticator is enormous since costs are expected to be considerably less than the ribboner while producing a fiber of higher quality.

The harvester-ribboner and the harvester-decorticator do essentially the same job—harvest the crop and strip the valuable fibrous bark from the woody core of the plant in one complete operation. However, the two machines work on different mechanical principles. The mobile harvester-ribboner produces a fiber which can be used for heavy sacking, twine, bale packs, and such; the decorticator produces a cleaner fiber which will compete with higher quality jute.

North Atlantic's leadership in the Kenaf industry is spearheaded by Joseph F. Dryer, Jr., of Rochester, N. Y., an ex-GI who went to Cuba nearly a decade ago and saw the tremendous possibilities of Kenaf competing for the multi-million world jute market. Dryer's firm, the world's primary source of Kenaf seed, is simultaneously encouraging the development of new companies in Central and South America to which it would contribute harvesters, seed and technical know-how, while local partners contribute land and capital.

Further impetus to the struggling young industry was provided last fall when 150 Kenaf growers, producers and researchers gathered in Havana from 28 countries throughout the



*U. S. and Latin engineers inspecting
Kenaf crop.*

world for the First International Kenaf Conference. After a week of discussion and exchange of information, the delegates voted to set up a permanent international organization to promote Kenaf. Delegates to the conference represented the United States, Cuba, Haiti, Honduras, Argentina, Columbia, Guatemala, Mexico, El Salvador, Ecuador, Panama and Peru and some came from as far away as the Union of South Africa, Pakistan, Egypt and Ireland.

THE OUTLOOK. With all of the excitement, interest and fast-breaking developments in Kenaf, what is its outlook as an industry?

North Atlantic's Dryer states that "based on the present progress in Kenaf, it seems reasonable to expect that Kenaf will begin to be felt on the world soft fiber markets sometime before the end of 1960".

And what will the new industry mean to the Latin American countries undertaking Kenaf programs?

According to a recent publication of the U. S. Department of Agriculture, "Kenaf offers diversification in agriculture and industry, as well as a source of foreign exchange".

Kenaf will provide more year 'round jobs in many one-crop economies and foster higher skills and income among the workers. Stanford Institute, in its Cuba study, said that a Kenaf industry would provide 3,000 more jobs and bring in an annual gross revenue of between 12 and 15 million dollars just to satisfy local markets.

Further, a Kenaf industry in many Latin American countries beset with serious economic problems, would provide a greater measure of self-sufficiency and stability. Finally, a vigorous Kenaf industry would provide the Free World with an easily accessible and dependable source of a strategic material. ●

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TRADE NOTES



*a new
Investment And
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Page 18*

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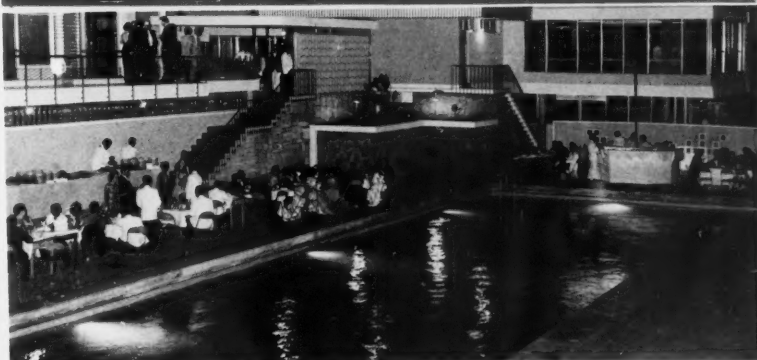
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TRADE NOTES

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COLOMBIA . . .

The Government of Colombia invites U. S. participation in a cement plant nearing completion in Bogota. The plant was formed in 1956, and will soon be able to produce up to 1,000 pounds of high quality low-cost cement per day. Completion of the plant has been interrupted because of lack of funds. A sum of \$950,000 is

required to finish the job. Also, the Colombian government is interested in U. S. capital investment in an electric power plant, to cost \$500,000. The need for cement and concrete products is great in Latin America, and wise money is headed that way.

BRITISH HONDURAS . . .

Almost 5,600 square miles of land is involved in an offering to U. S. oil prospectors by the Crown Colony of Belize. The territory has been divided into prospecting areas of approximately 200 square miles each, and licenses for exploration will be let for four years each. Mining leases are offered for 30 years on a sliding rental scale. Royalties will amount to 12½% of all crude oil produced. Write to the Assistant Secretary, Natural Resources, Belize, British Honduras.

ARGENTINA . . .

The Argentine wool market has really received a shot in the arm from Western nations. Wool shipments have been hurtling upwards, currently reaching levels 200% above the totals for the same period last year and 116% above the average for the last five years. Over 210,000 bales have moved off the docks in the first half of the current wool year.

BRAZIL . . .

Despite repeated efforts to rehabilitate this nation's trade picture, the balance of payments balance sheet for 1958 shows that a deficit of over \$96,000,000 exists in Brazil's trade with other nations. Imports were 12% below 1957 levels, and exports 12% lower than the previous year's figures.

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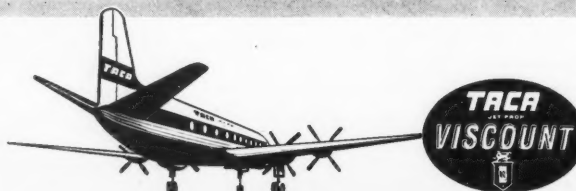
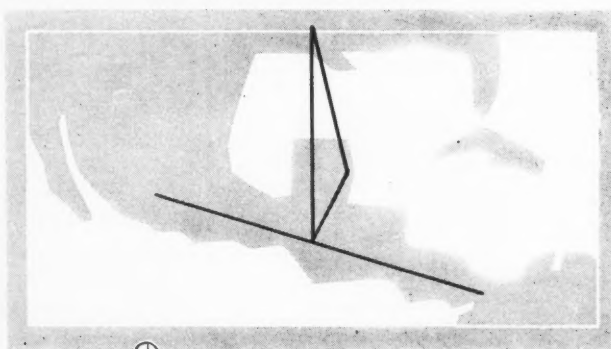
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BOOKS IN REVIEW....

HONDURAS, A PROBLEM IN ECONOMIC DEVELOPMENT

by Vincent Checchi and Associates
The Twentieth Century Fund, N. Y.
172 pgs. \$2.50

The complete transformation of the Honduran economy in the next 20 years is forseen in this handy guide to one of Central America's troubled republics. In bold relief, the authors of the study—commissioned by the Twentieth Century Fund to look into the economy of a typical Latin American nation—picture a developing and broadening economic base for agricultural Honduras. But they add a big "if" to their evaluation.

What they are saying is that Honduras has the potential to make vigorous progressive alterations in its economy with wise development policies and a reasonable amount of foreign assistance.

Basic in the development program outlined by the survey is the establishment of new industry to replace the country's present overdependence on the troubled banana industry.

There are many avenues which Honduras can use in such development, the authors suggest. These include coffee, cotton, cattle, paper, mineral exploration, light industries, and the like. And they add significantly, "an increase of private investment in these and other sectors means immediate creation of wealth in the form of capital investment, the continuing generation of new wealth, the creation of skills and employment opportunities, relief of the tightening foreign exchange position, and—most important of all—an infusion into the economy of a dynamism that is inherent in most private investment."

Specifically, the vast timber resources of Honduras are cited as heralding bright promise. These resources, largely untapped today but covering the greater part of the nation, place Honduras in the forefront of the world's potential wood and wood products producers. More of this resource, the authors note, "is wasted annually through fires than is exported."

Lagging enthusiasm in Honduras for timber production is basically a failure on the part of the government

to provide roads to get at the resources and to move raw materials and the finished products. "The lack of roads," the survey observes, "is an over-all problem that the government must solve in any case if Honduras is to develop."

Among the brighter aspects of the Honduran economic picture is the great availability of foreign financial and technical assistance. Various United States and international agencies can be tapped by the Honduran Government to further development. Road-building aid might well be the best area for such assistance, the survey speculates.

But the real need, going hand-in-hand with governmental assistance on certain projects, is increasing stress on outside private investment—principally from the United States.

Additionally, the present growing sentiment for economic integration in Central America—with initial steps already taken in this direction—is a factor in favor of Honduran economic development. The authors note: "Honduras, more than most of the other Central American republics, lacks the internal market on which to base many modern industries which require high-volume production to achieve lowest unit cost." If the country can become a part of a

larger market area, prospects are bright for elimination of small and inefficient industries scaled to produce "just for the Honduran economy."

But the authors admit that there are a number of stumbling blocks in the path of economic transformation, including political instability, lack of governmental encouragement for foreign investment, and a sense of confusion over what essentials should be pushed "to crack a major bottleneck to development."

Nevertheless, on balance, the authors of the survey are confident that the bottleneck can and will be cracked. "The very first prerequisite of a development program, i.e., a desire on the part of the country's leaders to get going on the job," they observe, is beginning to materialize. They add this hopeful note:

"We see the future economy as having infinitely better balance than the present economy, with a substantially expanded level of both internal and external trade. We see it based primarily on the dynamics of private enterprise, generating a large part of the capital required for its own expansion and growing primarily under its own steam."

James Nelson Goodsell

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INTER-AMERICAN TRADE RESPONSIBILITY

BY SENATOR LYNDON B. JOHNSON



The following text is by Lyndon B. Johnson, U. S. Senator from Texas, and the man who is said to be one of the co-rulers of the Democratic party. Next year will see national elections in the United States, and a Democrat may well win the presidency. If so, Senator Johnson's words on Latin America may take on super-significance. Even now, as the words of the majority leader in the U. S. Senate, they are important.—Ed.

One of the outstanding weaknesses of our foreign policy is the neglect of our close neighbors to the South—the Latin American Republics.

There are occasions when Americans make the unfortunate mistake of judging the strength of other nations by military yardsticks alone. By using this yardstick, it is a simple matter to decide that a second—or even a third—priority can be given

to Latin American. But there is no place else in the world where the military yardstick can be so deceptive. The facts are that Latin America is absolutely essential to the security and the prosperity of our country.

During World War II, Latin America furnished 75 per cent of the crude foodstuffs and 40 per cent of the raw materials which we imported. Even more important to us was Latin American friendship. Because our sister Republics furnished to us vital bases to help in guarding our supply lines and in the invasion of Africa.

Latin American cooperation today makes possible guided missile experiments in the South Atlantic. And in the event of a general war—where other sources would be cut off—we would become dependent upon Latin American materials for survival.

OPPORTUNITY. Latin America is a region of the world which today holds forth one of the greatest opportunities in the whole world; opportunities for peaceful trade and commerce—the kind that is mutually profitable and makes firm friends, not only for the country but for individual citizens of the United States and the Latin American Republics.

We have not missed all of our opportunities. Some of them were so attractive and so compelling that they practically forced themselves upon us. The nations of the Western Hemisphere are such a logical trade area that it was simply impossible to ignore them completely.

Last year, the Latin American Republics were the second largest buyers of United States nonmilitary exports. Only Western Europe beat them. Latin America took 24 per cent of our total products. Their bill was a whopping \$4,700,000,000. In return, we bought \$3,800,000,000 worth of Latin American products.

Latin American purchases were a tremendous shot in the arm to every sector of the American economy and to every region in our country. When the record is broken down, it is impressive. Our neighbors to the South took:

More than two-fifths of total U. S. exports of transportation equipment.

More than one-third of our exports of finished manufactures.

Two-fifths of all our exports of finished steel mill products and metal manufactures.

One-third of our exports of chemicals and dairy products.

About one-half our exports of medicinal preparations.

It does not take very much imagination to understand the importance of these figures. Last year was one in which economic conditions were building up to a serious recession. Business activity was slowing down and payrolls were falling. Without the Latin American trade, we might have found ourselves talking bluntly about the harsh word “depression” instead of recession.

POTENTIAL. But our present trade with Latin America is literally a drop in the bucket compared to the potential. The Republics to the south are emerging into their rightful place in the sun and it is only a matter of time—and not much time—until that place will be very large indeed.

Latin America's population is literally exploding, the fastest growing in the world. Today, the Latin American Republics have about 180 million people. The experts tell us that in the short space of 40 years—just four decades—that population will reach half a billion.

They have room—plenty of room. They have resources—plenty of resources. And those of us who have been close to Latin America also know they have determination.

The Latin American people are faced with tremendous problems. Most of their countries have become dependent upon the sale of one or two commodities. These commodities fluctuate in price to such a degree that they cannot make long-range plans for the future.

They have other resources. But those resources have not been developed and cannot be developed until enormous problems of transportation, of capital, of construction have been solved. In all honesty, we must concede that the United States has not been as helpful as a “good neighbor” should be in such a situation.

NO ACTION. We have met at a number of conferences. We have discussed the problems of the Western Hemisphere. We have spoken some glowing words. But measured in terms of results, what we have done has been meager.

Of the total grants and credits the United States has disbursed since the end of World War II until Decem-

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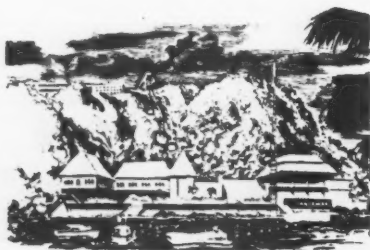


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ber, 1957, Latin America received only 3.4 per cent. And grant-wise they fared even worse—only 1.7 per cent of total nonmilitary grants.

I do not believe that grants are the answer. I do not believe the Latin American people are anxious for grants. But I am citing these figures as a yardstick of the importance we have attached to helping these people over their economic hurdles. It is not a record of which we can be proud. It is not a record which can be considered neighborly, prudent or wise.

In the next generation, we will have as neighbors close to half a billion people. Those people can be prosperous, productive, and friendly. They can be good customers, good friends, and good neighbors. Or those people can be bitter, hostile and impatient of the methods of free enterprise. It all depends upon us—not just the government of the United States but the people of the United States.

There should, of course, be more private investment to supplement the \$9 billion our businessmen have put into Latin America already. But private investments all by themselves cannot do the job. There is a limit to the amount that prudent men can put into Latin America at the present time.

Private capital is not going to flow in huge amounts into areas that need roads, sanitation, electric power and trained personnel. These things must be provided before the resources of a region can be properly developed. I am convinced that our Latin American neighbors do not want grants. They are a proud people who do not expect charity to provide for them the things they want to provide for themselves.

A BANK. They would far rather, I believe have an Inter-American Regional Development bank to which they can turn for loans. This could supply their financial needs and, at the same time, keep them on the path of self-respecting, self-help.

One of the most important single actions of the last session of Congress was little noticed and little publicized. It was the start by the Senate Foreign Relations Committee of a study of American policy toward Latin America. The committee will gather the testimony of sound, practical businessmen, of Latin American experts, of people who have traveled in the regions to the South and who are familiar with its needs.

The testimony will be analyzed carefully. After the studies have been made, the committee will set forth its recommendations. As far as I am concerned, consideration of those recommendations will have the very highest priority in the next Congress.

The United States has announced already its intention of supporting an Inter-American Regional Development bank. We have decided to join some international commodity study groups—such as coffee, lead and zinc.

NEIGHBORS. But this is only a beginning. We committed ourselves a long time ago to the policy of "the good neighbor". But a policy means little unless it is translated into action.

A good neighbor is neither suspicious nor patronizing; neither indifferent to the problems of the community nor a busybody constantly prying and intervening in the affairs of others.

But a good neighbor does recognize the problems of the community in which he lives. A good neighbor realizes that unless the whole community is prosperous, ultimately none of it will be prosperous. And a good neighbor realizes that he must cooperate on a basis of mutual respect and a mutual desire to advance the whole community.

Latin America today is the world's number one economic opportunity. It holds forth new lands to be explored; new resources to be developed; new customers for alert, progressive businessmen; new friends for the United States. ●

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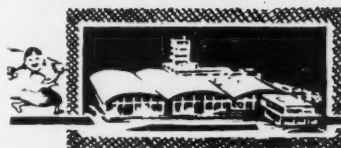
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